



PUBLIC NOTICE

FEDERAL COMMUNICATIONS COMMISSION
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DA 97-2224
October 17, 1997

COMMENT SOUGHT ON RESERVE PRICES OR MINIMUM OPENING BIDS FOR LMDS AUCTION

LMDS Auction Formula Proposed

Report No. AUC-17-B (Auction No. 17)

When FCC licenses are subject to auction (*i.e.*, because they are mutually exclusive) the recently enacted Balanced Budget Act of 1997 calls upon the Commission to prescribe methods by which a reasonable reserve price will be required or a minimum opening bid established, unless the Commission determines that a reserve price or minimum bid is not in the public interest.¹ Normally, a reserve price is an absolute minimum price below which an item will not be sold in a given auction. Reserve prices can be either published or unpublished. A minimum opening bid, on the other hand, is the minimum bid price set at the beginning of the auction below which no bids are accepted. In a minimum opening bid scenario, the auctioneer generally has the discretion to lower it later in the auction.

The Wireless Telecommunications Bureau recently announced the auction of 986 licenses for the Local Multipoint Distribution Service ("LMDS"), which is to begin December 10, 1997.² In anticipation of that auction and in light of the Balanced Budget Act, the Commission proposes that minimum opening bids be established for the LMDS auction, and that the Commission have discretion to lower the minimum opening bids as it deems appropriate.

¹ Section 3002(a), Balanced Budget Act of 1997, P.L. 105-33, 111 Stat. 251 (1997); 47 U.S.C. § 309(j)(4)(F). The Commission's authority to establish a reserve price or minimum opening bid is set forth in 47 C.F.R. § 1.2104(c) and (d).

² See *Public Notice*, "Auction of Local Multipoint Distribution Service: Auction Notice and Filing Requirements for 986 Basic Trading Area ("BTA") Licenses in the 28 GHz and 31 GHz Bands, Scheduled for December 10, 1997," DA 97-2081 (released September 25, 1997).

The Commission believes a minimum opening bid is more appropriate for the LMDS auction than a reserve price because firm reserve prices would not give the Commission flexibility to adjust to information learned during the auction and react to changing market conditions. Minimum bids, on the other hand, can serve the same revenue raising objective that reserve prices would serve, and in addition preserve for the Commission freedom to reduce the selected levels as the bidding unfolds. Further, a minimum opening bid will help to regulate the pace of the auction.

Specifically, the Commission proposes the following formula for calculating minimum opening bids in Auction No. 17:

<u>Population of license area</u>	<u>A Block Min. Opening Bid</u>	<u>B Block Min. Opening Bid</u>
Less than 100,000	\$0.75 x population	10% of A Block
100,000 - 1,000,000	\$1.50 x population	10% of A Block
More than 1,000,000	\$2.25 x population	10% of A Block

Comment is sought on this proposal. If, however, commenters believe that the formula proposed above for minimum opening bids will result in substantial numbers of unsold licenses, or is not a reasonable amount, or should instead operate as a reserve price, they should explain why this is so, and comment on the desirability of an alternative approach. Commenters are advised to support their claims with valuation analyses and suggested reserve prices or minimum opening bid levels or formulas. Alternatively, comment is sought on whether, consistent with the Balanced Budget Act, the public interest dictates having no minimum opening bid or reserve price.

Comments are due on or before November 5, 1997, and reply comments are due on or before November 10, 1997. To file formally, parties must submit an original and four copies to the Chief, Auctions and Industry Analysis Division, Wireless Telecommunications Bureau, Federal Communications Commission, Room 5202, 2025 M Street, N.W., Washington, D.C. 20554. Comments and reply comments will be available for public inspection during regular business hours in the FCC Public Reference Room, Room 239, 1919 M Street, N.W., Washington, D.C. 20554.

For further information concerning this proceeding, contact Brett Tarnutzer, Auctions and Industry Analysis Division, Wireless Telecommunications Bureau, at (202) 418-0660.